

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5232-01  
Bill No.: HB 1486  
Subject: Workers' Compensation Insurance; Corporations and Employees  
Type: Original  
Date: February 3, 2014

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Bill Summary: This proposal would, as of January 1, 2015, allow certain shareholders of S corporations to reject workers compensation insurance coverage.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Workers' Compensation Administration	(Unknown)	(Unknown)	(Unknown)
Second Injury	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

#### **Section 287.037, RSMo. - Workers' Compensation Coverage for Owners of S Corporations**

This proposal would authorize, beginning January 1, 2015, a shareholder with at least 40% interest in an S corporation to reject workers' compensation coverage by providing a written notice of the rejection to the corporation and its insurer.

Officials from the **Department of Labor and Industrial Relations (DOLIR)** noted the proposal does not make any specific reference to the self-insurance program administered by the Division of Workers' Compensation (Division) and assume the election would apply only to coverage in a workers' compensation insurance policy.

DOLIR officials assume this proposal would result in a revenue reduction to the Workers' Compensation Administration Fund and the Second Injury Fund and noted this proposal would extend to shareholders of an S corporation an election currently available for members of a limited liability company.

**Oversight** assumes shareholders of an S corporation would reject workers' compensation coverage if this proposal is implemented, which would result in a reduction in premiums for workers' compensation insurance policies. Since revenues in the Workers' Compensation Administration Fund and the Second Injury Fund are based on surcharges on workers' compensation insurance premiums and self insurance program payments, a reduction in premiums would result in revenue reductions for those funds. Oversight will indicate an unknown revenue reduction for the Workers' Compensation Administration Fund and the Second Injury Fund in this fiscal note, and Oversight will assume for fiscal note purposes the revenue reduction could begin as early as FY 2015.

Officials from the **Joint Committee on Administrative Rules** assume this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of the Secretary of State** and the **Department of Insurance, Financial Institutions, and Professional Registration** assume this proposal would have no fiscal impact on their organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>WORKERS' COMPENSATION ADMINISTRATION FUND</b>			
<u>Revenue reduction - DOLIR</u> Reduction in premium surcharges Section 287.037	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON WORKERS' COMPENSATION ADMINISTRATION FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
<b>SECOND INJURY FUND</b>			
<u>Revenue reduction - DOLIR</u> Reduction in premium surcharges Section 287.037	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON SECOND INJURY FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2015 (10 Mo.)	 FY 2016	 FY 2017
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

This proposal could result in cost savings on workers' compensation insurance for S corporations.

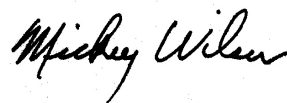
### FISCAL DESCRIPTION

This proposal would authorize, beginning January 1, 2015, a shareholder with at least 40% interest in an S corporation to reject coverage under the workers' compensation law by providing a written notice of that rejection to the corporation and its insurer. Failure to provide notice to the corporation would not be grounds for a shareholder to claim the rejection is not effective. The shareholder could later rescind the rejection in writing to the corporation and its insurer, but the rescission would entitle the shareholder only to benefits which accrue on or after the date the notice of rescission is received by the insurance company.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Office of the Secretary of State  
Joint Committee on Administrative Rules  
Division of Insurance, Financial Institutions, and Professional Registration  
Division of Labor and Industrial Relations



Mickey Wilson, CPA  
Director  
February 3, 2014

Ross Strobe  
Assistant Director  
February 3, 2014